

AMENDED IN SENATE SEPTEMBER 8, 2005

AMENDED IN SENATE SEPTEMBER 2, 2005

AMENDED IN SENATE JULY 12, 2005

AMENDED IN SENATE JUNE 27, 2005

CALIFORNIA LEGISLATURE—2005—06 REGULAR SESSION

ASSEMBLY BILL

No. 1735

Introduced by Assembly Members De La Torre and Aghazarian

(Principal coauthors: Senators Ducheny and Runner)

**(Coauthors: Assembly Members Baca, Bogh, Chan, Chu,
Emmerson, Hancock, Mullin, and Richman)**

(Coauthor: Senator Figueroa)

February 24, 2005

An act to amend Section ~~14105.19 of, and to add and repeal Section 14105.195 of, the Welfare~~ *14104.19 of the Welfare* and Institutions Code, relating to Medi-Cal, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 1735, as amended, De La Torre. Medi-Cal: provider reimbursement: reductions.

Existing law provides for the Medi-Cal program, which is administered by the State Department of Health Services and under which qualified low-income persons receive health care benefits.

Existing law provides that, due to the significant state budget deficit projected for the 2003-04 fiscal year, and in order to implement changes in the level of funding for health care services, the Director of Health Services, until January 1, 2007, shall reduce Medi-Cal provider

payments for Medi-Cal program services for dates of service on and after January 1, 2004, by 5%, with certain exceptions.

~~This bill would make inoperative, provide on the effective date of this act the bill, that the requirement that the director reduce Medi-Cal provider payments for the Medi-Cal program services described above, and would prohibit the reduction from being implemented retroactively not apply with respect to Medi-Cal program services for dates of service from January 1, 2004, to December 31, 2005, inclusive.~~

~~This bill would authorize the director, due to the significant state budget deficit projected for the 2006-07 fiscal year, to reduce provider payments by 5% for Medi-Cal program services for dates of service on and after July 1, 2006, with certain exceptions. The bill would repeal this authority on January 1, 2007.~~

The bill would declare that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes.

State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 14105.19 of the Welfare and
- 2 Institutions Code is amended to read:
- 3 14105.19. (a) Due to the significant state budget deficit
- 4 projected for the 2003-04 fiscal year, and in order to implement
- 5 changes in the level of funding for health care services, the
- 6 Director of Health Services shall reduce provider payments as
- 7 specified in this section.
- 8 (b) (1) Payments shall be reduced by 5 percent for Medi-Cal
- 9 program services for dates of service on and after January 1,
- 10 2004. ~~This paragraph shall become inoperative on the effective~~
- 11 ~~date of the act that amended this paragraph, and may not be~~
- 12 ~~implemented retroactively. 2004. However, on the effective date~~
- 13 ~~of the act that amended this paragraph during the 2005 Regular~~
- 14 ~~Session, the reduction described in this paragraph shall not~~
- 15 ~~apply with respect to Medi-Cal program services for dates of~~
- 16 ~~service from January 1, 2004, to December 31, 2005, inclusive.~~
- 17 (2) Payments shall be reduced by 5 percent for non-Medi-Cal
- 18 programs described in Section 14105.18, for dates of service on
- 19 and after January 1, 2004.

1 (3) The payments made to managed health care plans shall be
2 reduced by the actuarial equivalent amount of 5 percent at the
3 time of the plan's next rate determination.

4 (4) Reductions to payments for durable medical equipment
5 shall be made at the discretion of the director. If any reduction is
6 made pursuant to this paragraph, the reduction may not exceed 5
7 percent.

8 (c) The services listed below shall be exempt from the
9 payment reductions specified in subdivision (b):

10 (1) Acute hospital inpatient services.

11 (2) Federally qualified health clinic services.

12 (3) Rural health clinic services.

13 (4) Outpatient services billed by a hospital.

14 (5) Payments to state hospitals or developmental centers.

15 (6) Payments to long-term care facilities as defined by the
16 department, including, but not limited to, freestanding nursing
17 facilities, distinct-part nursing facilities, intermediate care
18 facilities for developmentally disabled individuals, subacute care
19 units of skilled nursing facilities, rural swing beds, ventilator
20 weaning services, special treatment program services, adult day
21 health care centers, and hospice room and board services.

22 (7) Clinical laboratory or laboratory services as defined in
23 Section 51137.2 of Title 22 of the California Code of
24 Regulations.

25 (8) Contract services as designated by the Director of Health
26 Services pursuant to subdivision (e).

27 (9) Supplemental reimbursement provided pursuant to
28 Sections 14105.27, 14105.95, and 14105.96.

29 (10) Services provided on or after July 1, 2004, through the
30 California Children's Services Program pursuant to Article 5
31 (commencing with Section 123800) of Chapter 3 of Part 2 of
32 Division 106 of the Health and Safety Code, the Genetically
33 Handicapped Persons Program, pursuant to Article 1
34 (commencing with Section 125125) of Chapter 2 of Part 5 of
35 Division 106 of the Health and Safety Code, the Child Health
36 and Disability Prevention Program pursuant to Article 6
37 (commencing with Section 124025) of Chapter 3 of Part 2 of
38 Division 106 of the Health and Safety Code, the Multipurpose
39 Senior Services Program pursuant to Chapter 8 (commencing
40 with Section 9560) of Division 8.5, the Breast and Cervical

1 Cancer Early Detection Program established pursuant to Article
2 1.3 (commencing with Section 104150) of Chapter 2 of Part 1 of
3 Division 103 of the Health and Safety Code, and the breast
4 cancer programs specified in Section 30461.6 of the Revenue and
5 Taxation Code.

6 (11) Legend and nonlegend drugs dispensed by pharmacy
7 providers reimbursed pursuant to Section 14105.45, effective
8 September 1, 2004.

9 (d) Subject to the exception for services listed in subdivision
10 (c), the payment reductions required by subdivision (b) shall
11 apply to the services rendered by any provider who may be
12 authorized to bill for the service, including, but not limited to,
13 physicians, podiatrists, nurse practitioners, certified nurse
14 midwives, nurse anesthetists, and organized outpatient clinics.

15 (e) Notwithstanding Chapter 3.5 (commencing with Section
16 11340) of Part 1 of Division 3 of Title 2 of the Government
17 Code, the department may implement this section by means of
18 provider bulletin, or similar instruction, without taking regulatory
19 action.

20 (f) The department shall promptly seek all necessary federal
21 approvals in order to implement this section, including necessary
22 amendments to the state plan.

23 (g) This section shall remain in effect only until January 1,
24 2007, and as of that date is repealed, unless a later enacted
25 statute, that is enacted before January 1, 2007, deletes or extends
26 that date.

27 ~~SEC. 2. Section 14105.195 is added to the Welfare and~~
28 ~~Institutions Code, immediately following Section 14105.19, to~~
29 ~~read:~~

30 ~~14105.195. (a) Due to the significant state budget deficit~~
31 ~~projected for the 2006-07 fiscal year, the Director of Health~~
32 ~~Services may reduce provider payments as specified in this~~
33 ~~section.~~

34 ~~(b) Payments may be reduced by 5 percent for Medi-Cal~~
35 ~~program services for dates of service on and after July 1, 2006.~~

36 ~~(c) The services listed below shall be exempt from the~~
37 ~~payment reductions specified in subdivision (b):~~

38 ~~(1) Acute hospital inpatient services.~~

39 ~~(2) Federally qualified health clinic services.~~

40 ~~(3) Rural health clinic services.~~

1 ~~(4) Outpatient services billed by a hospital.~~

2 ~~(5) Payments to state hospitals or developmental centers.~~

3 ~~(6) Payments to long-term care facilities as defined by the~~
4 ~~department, including, but not limited to, freestanding nursing~~
5 ~~facilities, distinct-part nursing facilities, intermediate care~~
6 ~~facilities for developmentally disabled individuals, subacute care~~
7 ~~units of skilled nursing facilities, rural swing beds, ventilator~~
8 ~~weaning services, special treatment program services, adult day~~
9 ~~health care centers, and hospice room and board services.~~

10 ~~(7) Clinical laboratory or laboratory services as defined in~~
11 ~~Section 51137.2 of Title 22 of the California Code of~~
12 ~~Regulations.~~

13 ~~(8) Contract services as designated by the Director of Health~~
14 ~~Services pursuant to subdivision (c).~~

15 ~~(9) Supplemental reimbursement provided to hospitals,~~
16 ~~including, but not limited to, those provided pursuant to Sections~~
17 ~~14105.27, 14105.95, and 14105.96.~~

18 ~~(10) Services provided through the California Children's~~
19 ~~Services Program pursuant to Article 5 (commencing with~~
20 ~~Section 123800) of Chapter 3 of Part 2 of Division 106 of the~~
21 ~~Health and Safety Code, the Genetically Handicapped Persons~~
22 ~~Program, pursuant to Article 1 (commencing with Section~~
23 ~~125125) of Chapter 2 of Part 5 of Division 106 of the Health and~~
24 ~~Safety Code, the Child Health and Disability Prevention Program~~
25 ~~pursuant to Article 6 (commencing with Section 124025) of~~
26 ~~Chapter 3 of Part 2 of Division 106 of the Health and Safety~~
27 ~~Code, the Multipurpose Senior Services Program pursuant to~~
28 ~~Chapter 8 (commencing with Section 9560) of Division 8.5, the~~
29 ~~Breast and Cervical Cancer Early Detection Program established~~
30 ~~pursuant to Article 1.3 (commencing with Section 104150) of~~
31 ~~Chapter 2 of Part 1 of Division 103 of the Health and Safety~~
32 ~~Code, and the breast cancer programs specified in Section~~
33 ~~30461.6 of the Revenue and Taxation Code.~~

34 ~~(11) Legend and nonlegend drugs dispensed by pharmacy~~
35 ~~providers reimbursed pursuant to Section 14105.45.~~

36 ~~(d) Subject to the exception for services listed in subdivision~~
37 ~~(c), the payment reductions required by subdivision (b) shall~~
38 ~~apply to the services rendered by any provider who may be~~
39 ~~authorized to bill for the service, including, but not limited to,~~

1 physicians, podiatrists, nurse practitioners, certified nurse
2 midwives, nurse anesthetists, and organized outpatient clinics.

3 ~~(e) Notwithstanding Chapter 3.5 (commencing with Section~~
4 ~~11340) of Part 1 of Division 3 of Title 2 of the Government~~
5 ~~Code, the department may implement this section by means of~~
6 ~~provider bulletin, or similar instruction, without taking regulatory~~
7 ~~action.~~

8 ~~(f) The department shall promptly seek all necessary federal~~
9 ~~approvals in order to implement this section, including necessary~~
10 ~~amendments to the state plan.~~

11 ~~(g) This section shall remain in effect only until January 1,~~
12 ~~2007, and as of that date is repealed, unless a later enacted~~
13 ~~statute, that is enacted before January 1, 2007, deletes or extends~~
14 ~~that date.~~

15 ~~SEC. 3.~~

16 *SEC. 2.* This act is an urgency statute necessary for the
17 immediate preservation of the public peace, health, or safety
18 within the meaning of Article IV of the Constitution and shall go
19 into immediate effect. The facts constituting the necessity are:

20 In order to prevent payment reductions to Medi-Cal providers
21 at the earliest possible time, thereby ensuring the integrity of the
22 Medi-Cal system and the services provided to those receiving
23 services under the system, it is necessary that this act take effect
24 immediately.